

**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023-2022

**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY
DECEMBER 31, 2023 AND 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Henry Soil and Water Conservation District
Henry County
2260 North Scott Street
Napoleon, Ohio 43545

To the Board of Supervisors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Henry Soil and Water Conservation District, Henry County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each fund as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of December 31, 2023 and 2022, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis permitted by the financial reporting provisions of the Ohio Department of Agriculture, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions the Ohio Department of Agriculture permits. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 15, 2024

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Henry Soil and Water Conservation District
Henry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2023

	District Fund	Special Fund	Other Funds	Combined Total
Cash Receipts				
Grants				
Local Government		\$116,000		\$116,000
State Government	\$1,996	124,000		125,996
Federal Government		2,501		2,501
Charges for Services		83,764		83,764
Sale of Products/Materials	4,200			4,200
Rentals	78			78
Interest Income	113,534		\$389,795	503,329
All Other Revenue	2,624	326		2,950
<i>Total Cash Receipts</i>	<u>122,432</u>	<u>326,591</u>	<u>389,795</u>	<u>838,818</u>
Cash Disbursements				
Salaries		260,623		260,623
Supplies	43,261	2,004		45,265
Equipment	2,898		3,961	6,859
Contract Repairs	872			872
Contract Services/Cost Share Payments	80,399	10,460	2,341,710	2,432,569
Rentals		28,600		28,600
Service Fees	2,301	275		2,576
Information and Education	3,404			3,404
Travel and Expenses	1,160	1,714		2,874
Advertising and Printing	2,293		279	2,572
OPERS		36,986		36,986
Hospitalization		44,925		44,925
Medicare		3,721		3,721
Product/Materials for Resale	2,673			2,673
Vehicle Rental/Liability Insurance		2,395		2,395
Other	6,423	120		6,543
<i>Total Cash Disbursements</i>	<u>145,684</u>	<u>391,823</u>	<u>2,345,950</u>	<u>2,883,457</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(23,252)</u>	<u>(65,232)</u>	<u>(1,956,155)</u>	<u>(2,044,639)</u>
Other Financing Receipts (Disbursements)				
Transfers In	33,552	177,813	23,400	234,765
Transfers Out	(23,400)		(211,365)	(234,765)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,152</u>	<u>177,813</u>	<u>(187,965)</u>	
<i>Net Change in Fund Cash Balances</i>	<u>(13,100)</u>	<u>112,581</u>	<u>(2,144,120)</u>	<u>(2,044,639)</u>
<i>Fund Cash Balances, January 1</i>	<u>672,315</u>	<u>127,824</u>	<u>8,793,402</u>	<u>9,593,541</u>
<i>Fund Cash Balances, December 31</i>	<u>\$659,215</u>	<u>\$240,405</u>	<u>\$6,649,282</u>	<u>\$7,548,902</u>

See accompanying notes to the basic financial statements

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Henry Soil and Water Conservation District, Henry County, (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

Public Entity Risk Pools

The District participates in the County Risk Sharing Authority, Inc. (CORSA) and Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium Insurance Pools. Note 5 to the financial statements provide additional information for these entities.

The District’s management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all funds.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

Special Fund The special fund is the primary fund used for day to day operations and expenditures including payroll and benefits. The District records all amounts received from the State, local, or federal governments in this fund. The County Auditor also maintains an accounting of this fund.

District Fund The district fund accounts for and reports revenues from district sales and equipment rentals, grants and donations.

Other Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District had the following significant Other Funds:

Senate Bill 299 The District has a grant agreement with Ohio Department of Agriculture for Western Lake Erie Basin Senate Bill 299 for the purpose of reducing phosphorus and other agricultural nutrients entering the waters of the Western Lake Erie Basin.

Western Lake Erie Basin H2Ohio The District has a grant agreement with Ohio Department of Agricultural for Western Lake Erie Basin H2Ohio for the purpose of reducing phosphorus and other agricultural nutrients from entering the waters of the Western Lake Erie Basin.

A summary of the Grant Fund activity appears in Note 8.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Budgetary Process

The Ohio Revised Code requires the Special Fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Supervisors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

A summary of 2023 budgetary activity appears in Note 3.

Deposits and Investments

The Henry County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the Henry County Auditor at auditor@henrycountyohio.com.

The District's accounting basis for all other funds includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Leases

The District is the lessee in a lease (as defined by GASB 87) related to buildings under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the special and district funds is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the special and district funds and includes amounts not included in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 3 – Special Fund Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$646,405	\$504,404	(\$142,001)

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$459,176	\$391,823	\$67,353

Note 4 – Deposits

The District maintains a deposits and investments pool all funds use, except the Special Fund which is maintained by the Henry County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2023 \$7,308,500
County Treasurer Deposits	240,402
Total deposits	\$7,548,902

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 5 – Risk Management

Health Insurance

The Henry County Commissioners, on behalf of County departments including the District, are members of the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium for employee benefits which includes health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each pool member for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes thirty-nine public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims.

The District is charged for its proportionate share of the expenses from the County. The consortium is for employee benefits and includes Health, Prescription Drug and Dental Insurance. Plan options and levels of coverage are established independently by each consortium member for its employees. Premiums paid into the consortium by each member are based on the level of coverage within each respective plan. Member contributions are calculated annually to produce a sufficient sum of money within the consortium to fund administrative expenses and to create reserves.

As of December 31, 2023, the consortium had incurred But Not Reported Claims (IBNR) cash reserves of \$4,763,525 which, in the opinion of management, is adequate for any claims currently pending against the consortium. The 2023 monthly premiums paid by Henry County per covered employee were \$1,729 for family coverage and \$660 for single coverage. Employees contribute a portion of each monthly premium through payroll withholding.

From 2016 to 2018, the County paid an additional reserve buy-in amount which was paid in full in December of 2018; therefore, no buy-in amount was paid in 2018. The amount of risk retained by the consortium in 2023 was \$500,000 per individual; coverage in excess of this amount was provided by Intermediary Insurance Services, Inc.

The NBHP, NW Div. of OHI maintains additional Maximum Claim Liability (MCL) reserves, as determined annually by the reinsurance carrier. The MCL creates a level of protection in the event the premium payments don't cover the cost of the claims, avoiding the need for a mid-level premium increase. Audited financial statements are maintained by Optimal Health Initiatives.

Commercial Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Henry County Commissioners, on behalf of County departments including the District contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has \$2,500 deductible Coverage provided by CORSA is as follows:

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

	<u>Amount</u>
General Liability (per occurrence)	\$1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person) 250,000	
Physical Damage	Actual Cost
Flood and Earthquake (per occurrence)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Inland Marine	Replacement Cost
Automatic Acquisition	5,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	2,000,000
Umbrella (per occurrence)	5,000,000

There has been no significant reduction in insurance coverage from the prior year, and settled claims have not exceeded this coverage in the past three years.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2023.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Note 8 – Grants

Senate Bill 299 The District has a grant agreement with Ohio Department with Agriculture for Western Lake Erie Basin Senate Bill 299 for the purpose of reducing phosphorus and other agricultural nutrients entering the waters of the Western Lake Erie Basin. The District received grant monies of \$7,000,000 in 2019 and had grant related expenditures of \$43,552 related to this program in 2023. The District is also allowed the interest earned from the bank accounts for this grant.

Manure Nutrients Managements The District has an agreement with Ohio Department of Agriculture for Manure Nutrient Management for a multi-county position for providing technical assistance in implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$410,000 in 2019 and had grant related expenditures of \$3,765 related to this program in 2023.

Western Lake Erie Basin H2Ohio The District has a grant agreement with Ohio Department of Agriculture for implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$3,672,078 in 2021 and \$3,285,263 in 2022; has grant related expenditures of \$2,326,254 related to this program in 2023. The District received Technical Assistance (TA) monies determined by the ODA. The District is also allowed the interest earned from the bank accounts for this grant.

Note 9 – Fund Balances

The fund balance of other funds is either restricted or committed.

Note 10 – Transfers

<u>From:</u>	<u>To:</u>	<u>Amount:</u>	<u>Purpose:</u>
District	H2Ohio	\$23,400	Remaining Drone Project Funds for H2Ohio
SB299	District	\$33,552	For services the District performs for the grant
MNM	Special	\$107,445	For salary reimbursements
H2Ohio	Special	\$70,368	For salary reimbursements

Note 11 – Leases

The District has a lease with CCM Lanzer Rentals, LLC for office space. Payments are due monthly in the amount of \$2,300.

Henry Soil and Water Conservation District
Henry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2022

	District Fund	Special Fund	Other Funds	Combined Total
Cash Receipts				
Grants				
Local Government		\$116,000		\$116,000
State Government	\$234,420	123,378	\$3,285,263	3,643,061
Federal Government		6,877		6,877
Charges for Services	4,500	76,641		81,141
Sale of Products/Materials	587			587
Rentals	50			50
Conservation Receipts	584			584
Interest Income	884		94,235	95,119
All Other Revenue	1,760			1,760
<i>Total Cash Receipts</i>	<u>242,785</u>	<u>322,896</u>	<u>3,379,498</u>	<u>3,945,179</u>
Cash Disbursements				
Salaries		274,273		274,273
Supplies	5,056	3,589		8,645
Postage	648			648
Equipment			452	452
Contract Repairs	2,315			2,315
Contract Services	37,262	9,036	1,034	47,332
Cost Share Payments			1,824,180	1,824,180
Rentals		28,350		28,350
Service Fees	2,109	265		2,374
Information and Education	1,340		250	1,590
Travel and Expenses	56	867	3,188	4,111
Advertising and Printing	1,129			1,129
OPERS		38,289		38,289
Hospitalization		39,540		39,540
Medicare		3,777		3,777
Life Insurance		131		131
Vehicle Rental/Liability Insurance		2,282		2,282
Conservation Supplies	22,552			22,552
Tree Sale Supplies	1,100			1,100
Other	4,548		70,013	74,561
<i>Total Cash Disbursements</i>	<u>78,115</u>	<u>400,399</u>	<u>1,899,117</u>	<u>2,377,631</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>164,670</u>	<u>(77,503)</u>	<u>1,480,381</u>	<u>1,567,548</u>
Other Financing Receipts (Disbursements)				
Transfers In	31,088		1,442	32,530
Transfers Out	(1,442)		(31,088)	(32,530)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>29,646</u>		<u>(29,646)</u>	
<i>Net Change in Fund Cash Balances</i>	194,316	(77,503)	1,450,735	1,567,548
<i>Fund Cash Balances, January 1</i>	<u>477,999</u>	<u>205,327</u>	<u>7,342,667</u>	<u>8,025,993</u>
<i>Fund Cash Balances, December 31</i>	<u>\$672,315</u>	<u>\$127,824</u>	<u>\$8,793,402</u>	<u>\$9,593,541</u>

See accompanying notes to the basic financial statements

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Henry Soil and Water Conservation District, Henry County, (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

Public Entity Risk Pools

The District participates in the County Risk Sharing Authority, Inc. (CORSA) and Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium Insurance Pools. Note 6 to the financial statements provide additional information for these entities.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all funds.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

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A summary of the Grant Fund activity appears in Note 9.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Budgetary Process

The Ohio Revised Code requires the Special Fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Supervisors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

A summary of 2022 budgetary activity appears in Note 4.

Deposits and Investments

The Henry County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the Henry County Auditor at Auditor@henrycountyohio.com.

The District's accounting basis for all other funds includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Leases

The District is the lessee in a lease (as defined by GASB 87) related to office building space. Lease revenue/disbursements are recognized when they are received/paid.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the special and district funds is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the special and district funds and includes amounts not included in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Compliance

Contrary to Ohio law, the District failed to adopt a formal appropriations resolution. Appropriations were therefore zero with all budgetary expenditures exceeding appropriation authority in all funds for the year ended December 31, 2022.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 4 – Special Fund Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$466,098	\$322,896	(\$143,202)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$0	\$400,399	(\$400,399)

Note 5 – Deposits

The District maintains a deposits and investments pool all funds use, except the Special Fund which is maintained by the Henry County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2022 \$9,465,719
County Treasurer Deposits	127,822
Total deposits	\$9,593,541

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Note 6 – Risk Management

Health Insurance

The Henry County Commissioners, on behalf of County departments including the District, are members of the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium for employee benefits which includes health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each pool member for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes thirty-nine public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

The District is charged for its proportionate share of the expenses from the County. The consortium is for employee benefits and includes Health, Prescription Drug and Dental Insurance. Plan options and levels of coverage are established independently by each consortium member for its employees. Premiums paid into the consortium by each member are based on the level of coverage within each respective plan. Member contributions are calculated annually to produce a sufficient sum of money within the consortium to fund administrative expenses and to create reserves.

As of December 31, 2022, the consortium had Incurred But Not Reported Claims (IBNR) cash reserves of \$5,286,906 which, in the opinion of management, is adequate for any claims currently pending against the consortium. The 2022 monthly premiums paid by Henry County per covered employee were \$1,530 for family coverage and \$584 for single coverage. Employees contribute a portion of each monthly premium through payroll withholding.

From 2016 to 2018, the County paid an additional reserve buy-in amount which was paid in full in December of 2018; therefore, no buy-in amount was paid in 2018. The amount of risk retained by the consortium in 2022 was \$500,000 per individual; coverage in excess of this amount was provided by Intermediary Insurance Services, Inc.

The NBHP, NW Div. of OHI maintains additional Maximum Claim Liability (MCL) reserves, as determined annually by the reinsurance carrier. The MCL creates a level of protection in the event the premium payments don't cover the cost of the claims, avoiding the need for a mid-level premium increase. Audited financial statements are maintained by Optimal Health Initiatives.

Commercial Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Henry County Commissioners, on behalf of County departments including the District contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has \$2,500 deductible Coverage provided by CORSA is as follows:

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

	<u>Amount</u>
General Liability (per occurrence)	\$1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person) 250,000	
Physical Damage	Actual Cost
Flood and Earthquake (per occurrence)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Inland Marine	Replacement Cost
Automatic Acquisition	5,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	2,000,000
Umbrella (per occurrence)	5,000,000

There has been no significant reduction in insurance coverage from the prior year, and settled claims have not exceeded this coverage in the past three years.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2022.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Grants

Senate Bill 299 The District has a grant agreement with Ohio Department with Agriculture for Western Lake Erie Basin Senate Bill 299 for the purpose of reducing phosphorus and other agricultural nutrients entering the waters of the Western Lake Erie Basin. The District received grant monies of \$7,000,000 in 2019 and had grant related expenditures of \$25,212 related to this program in 2022. The District is also allowed the interest earned from the bank accounts for this grant.

Manure Nutrients Managements The District has an agreement with Ohio Department of Agriculture for Manure Nutrient Management for a multi-county position for providing technical assistance in implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$410,000 in 2019 and had grant related expenditures of \$452 related to this program in 2022.

Western Lake Erie Basin H2Ohio Staff The District has a grant agreement with Ohio Department of Agriculture for H2Ohio Staff Support for providing technical assistance in implementation of nutrient reduction practices in the Western Lake Erie Basin, The District received grant monies of \$300,000 in 2020 and had grant related expenditures of \$4,472 related to this program in 2022.

Western Lake Erie Basin H2Ohio The District has a grant agreement with Ohio Department of Agriculture for implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$3,672,078 in 2021 and \$3,285,263 in 2022; has grant related expenditures of \$1,861,822 related to this program in 2022. The District received Technical Assistance (TA) monies determined by the ODA. The District is also allowed the interest earned from the bank accounts for this grant.

Note 10 – Fund Balances

The fund balance of other funds is either restricted or committed.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 11 – Transfers

<u>From:</u>	<u>To:</u>	<u>Amount:</u>	<u>Purpose:</u>
District	H2Ohio	\$1,442	Reimbursement of checks erroneously cashed
SB299	District	\$28,895	For Services the District performs for the grant
H2Ohio	District	\$2,193	For Services the District performs for the grant

Note 12 – Leases

The District has a lease with CCM Lanzer Rentals, LLC for office space. Payments are due monthly in the amount of \$2,300.

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Henry Soil and Water Conservation District
Henry County
2260 North Scott Street
Napoleon, Ohio 43545

To the Board of Supervisors:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each fund of Henry Soil and Water Conservation District, Henry County, Ohio (the District) as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements and have issued our report thereon dated October 15, 2024, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture permits.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 15, 2024

**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2023-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until an amended certificate is received from the county budget commission based upon the actual year end balances. This temporary appropriation measure for meeting the ordinary expenses should be passed not later than April 1.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

There was no evidence that the Board of Supervisors approved an appropriation measure for 2022; however, appropriations were recorded by the District's Fiscal Agent, Henry County Auditor, in the accounting system and in the notes to the financial statements.

These errors were due to deficiencies in the budgetary compliance and monitoring control policies and procedures. The accompanying notes to the financial statements were adjusted to reflect expenditures exceeded appropriations in the Special Fund during 2022 since annual appropriation measures were not formally approved by the Board. Failure to approve an appropriation measure can lead to improper budgeting and limits the effectiveness of management monitoring.

On or about the first day of each fiscal year, the Board of Supervisors should formally approve annual appropriation measures in the minutes at the proper legal level of control and submit them to the County Budget Commission. Any subsequent changes to original appropriation measures should be approved by the Board, submitted to the County Budget Commission, and documented in the minutes. Additionally, expenditures should be limited to established appropriation limitations.

FINDING NUMBER 2023-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustments to the financial statements and notes to the financial statements for the year ended December 31, 2023:

- Interest income within the District Fund in the amount of \$113,534 was incorrectly classified as all other revenue;
- Contract services expenditures within the District Fund and all other revenue in the District Fund were understated in the amount of \$23,400;
- Transfers in within the District Fund were overstated in the amount of \$136,731;
- Charges for services within the Special Fund in the amount of \$83,764 was incorrectly classified as all other revenue;
- Transfers out within the Other Fund were overstated in the amount of \$136,731;
- Interest income within the H2Ohio Fund in the amount of \$219,605 was incorrectly classified as all other revenue;
- Interest income within the SB299 Fund in the amount of \$170,190 was incorrectly classified as all other revenue.

We identified the following errors requiring adjustments to the financial statements and notes to the financial statements for the year ended December 31, 2022:

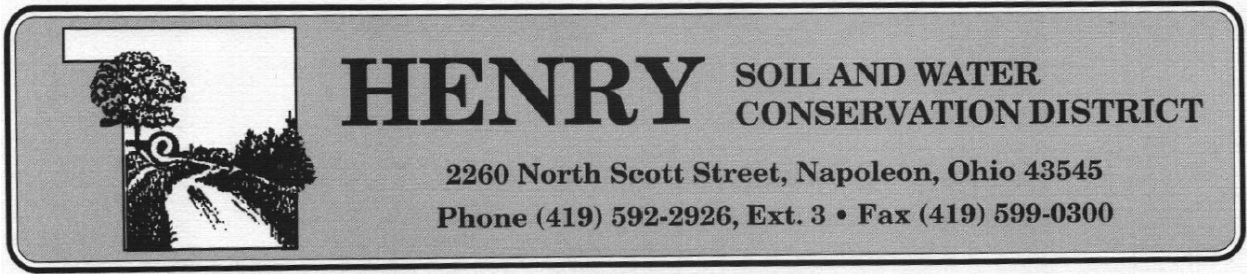
- Transfers in and contract services expenditures within the District Fund were understated in the amount of \$25,212;
- Cost share payments expenditures in the SB299 Fund were overstated in the amount of \$25,212;
- Transfers out in the SB299 Fund were understated in the amount of \$25,212;
- Actual Receipts in the Budgetary Activity note to the financial statements were understated in the Special Fund in the amount of \$32,420;
- Appropriation Authority in the Budgetary Activity note to the financial statements were overstated in the amount of \$461,380;
- Budgetary Expenditures in the Budgetary Activity note to the financial statements were understated in the amount of \$104,648.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements and notes to the financial statements could lead the Board of Supervisors to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$1,900 to \$9,496, which we have brought to the District's attention.

The District should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Board of Supervisors to help identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Finding was first issued in the 2017-2016 audit. Material weakness due to errors in financial reporting.	Not corrected and reissued as Finding 2023-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period.

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OHIO AUDITOR OF STATE KEITH FABER



HENRY SOIL AND WATER CONSERVATION DISTRICT

HENRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/7/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov